



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF MUNICIPAL AUDIT**

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Dennis F. Dycus, CPA, CFE, Director
Division of Municipal Audit

July 1, 2005

Members of the Board of Commissioners
Roane Central Utility District
2727 Roane State Highway
Harriman, TN 37748

Gentlemen:

We have completed our investigative audit of selected records of the Roane Central Utility District. The examination focused on the period July 1, 2003, through June 30, 2004. However, when the examination warranted, this scope was expanded. The audit was limited to an examination of collection records.

Our investigative audit revealed that during the period October 1, 2003, through April 30, 2004, a clerk took at least \$5,789 in district collections without authority. The clerk acknowledged to auditors that she had taken district cash for her own personal use.

This matter was referred to the local district attorney. In June 2005, the Roane County Grand Jury indicted Margaret LeMasters on one count of Theft over \$1,000.

Our investigative audit also revealed several weaknesses in the system's collection process, some of which directly contributed to the undetected misappropriations.

➤ **Miscellaneous revenue not deposited into district bank account**

District employees collected scrap from obsolete meters and other sources and sold it to a local salvage yard. However, proceeds from these sales were not receipted or deposited into a district bank account. The checks in payment for that scrap were cashed through the district cash drawer and the cash was distributed to certain district employees.

The *Uniform Accounting Manual for Tennessee Utility Districts*, Section 7-4, states, "Scrap materials that have a known salvage value should be safely stored until sold." Section 3-1, states, "Occasional sales of materials and supplies should be recorded and controlled like other revenue."

➤ **Collections not deposited promptly or intact**

Our investigative audit revealed that district personnel cashed personal and third-party checks through the cash drawer for employees and customers. In addition, we noted that some connection fees were not deposited until more than one month after collection. The *Uniform Accounting Manual for Tennessee Utility Districts*, Section 3-1, states, "Receipts should be deposited promptly and intact. . . ."

➤ **Failure to account for prenumbered receipts**

Several prenumbered receipts had been removed from the receipt book and were unavailable for audit. In addition, reconnect fees were not recorded on prenumbered receipts or on the district billing system. System personnel did not ensure that all collections documented on prenumbered receipts were deposited into a district bank account. The *Uniform Accounting Manual for Tennessee Utility Districts*, Section 3-1, states, "Prenumbered receipts for each revenue source should be issued with required accounting for all unused or spoiled receipts."

➤ **Failure to prepare daily cash reports**

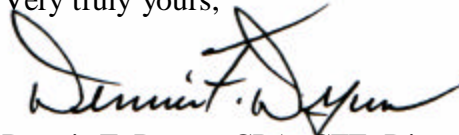
District personnel did not summarize collections on a daily cash summary report to ensure that all collections were deposited into a district bank account. The *Uniform Accounting Manual for Tennessee Utility Districts*, Section 3-1, states, in part:

The cashier should summarize all cash receipts by source on a daily cash summary report, clearly indicating the amount to be deposited, the amount retained for change, and the amount of cash over or short. Each report should be dated and the date should be recorded on the corresponding deposit slips. The cashier should sign the daily cash summary report.

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District officials should take immediate corrective action to resolve these issues. If you have any questions, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Dennis F. Dycus". The signature is fluid and cursive, with a large initial "D" and "F".

Dennis F. Dycus, CPA, CFE, Director
Division of Municipal Audit

DFD/RAD